



# PSC NEWS

## Missouri Public Service Commission

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### PSC ISSUES DECISION IN MISSOURI GAS ENERGY RATE CASE

Jefferson City (September 22, 2004)---The Missouri Public Service Commission has cut, by almost half, a natural gas rate case request filed last November by Missouri Gas Energy, a division of Southern Union Company. The Commission's order authorizes Missouri Gas Energy (MGE) to increase annual natural gas revenues by approximately \$22.5 million. This marks the first general rate increase for MGE since August 2001.

When MGE filed its rate request with the Public Service Commission on November 4, 2003, the Company sought to increase annual natural gas revenues by approximately \$44.8 million.

This rate increase recognizes the increased cost of doing business for MGE since its last general rate increase case which was decided in 2001. MGE had stated in its November filing that the increase request was associated with operating and maintaining its 8,000 mile distribution system as well as costs associated with capital expenditures for gas safety projects, public improvement locations and new construction.

As a result of this decision, natural gas rates for a typical residential customer of MGE will increase by approximately \$3.00 a month.

Under the Commission's decision:

- **MGE's return on equity is 10.5%. MGE sought 12% in this rate case.**

The Commission stated in its decision that 10.5% is a fair and reasonable return on equity for MGE that will allow Southern Union an opportunity to compete in the capital market for the funds needed to keep MGE healthy.

- **Low-income weatherization funding will be increased by approximately \$160,000 a year to \$500,000 a year.**

This program provides financial assistance to low-income customers of MGE to make improvements in their homes to make them more energy efficient. The Commission has determined the program is successful and should be continued with additional funding.

- **Experimental low-income rate for the Joplin service area will continue through July 2006, or until the funding runs out, whichever occurs first.**

An experimental program funded by an 8 cent rider to all MGE residential customer bills. Various parties sought changes and expansion of the program. However, the Commission is not willing

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at this time to place more ratepayers funds into the program when, for example, nearly half of the participants that initially entered into the program dropped out by January 2004.

- **MGE's request to implement a weather mitigation rate design is denied by the Commission.**

Under the proposal, MGE's customers would pay more for the first block of gas used during the winter months so that a greater percentage of delivery costs would be recovered in the first rate block. Based on its conclusions of law and the facts that it found, the Commission concluded that MGE's proposed weather mitigation rate design must be rejected.

- **MGE's request to shift some of its revenue recovery from volumetric rates to fixed monthly elements such as the customer charge is denied by the Commission.**

Commission stated that high fixed monthly customer charges tend to defeat customer efforts to reduce their bill by conserving natural gas. Commission stated that the public interest is best served by setting customer charges as low as reasonably possible.

- **Rate case expense of \$1.38 million sought by MGE is reduced to approximately \$894,000 by the Commission.**

There was no dispute that MGE has a right to recover its rate case expenses in this case. The dispute was over how much MGE should be allowed to recover. The PSC Staff and the Office of the Public Counsel argued adjustments should be made because MGE's request was not reasonable and not prudently incurred.

**Background:** This rate case before the Commission involves MGE's non-gas costs. Non-gas costs are typically operating and maintenance expenses incurred by the Company as well as a return on investment in plant (such as natural gas mains and service lines that carry natural gas to the customer's home or business). The Public Service Commission does not have any authority to regulate the price that wholesale suppliers charge MGE for natural gas.

Missouri Gas Energy serves approximately 500,000 natural gas customers in western Missouri.

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